

10. accrued expenses not paid within 90 calendar days after close of the reporting period, except for bankruptcy proceedings, or at time of the audit, examples are but not limited to:

- a. professional services including attorney and accounting fees,
- b. unpaid compensation of employees, officers and directors owning stock in a closely-held corporation,
- c. fringe benefits,
- d. consultant fees,
- e. suppliers and vendors,
- f. trade association dues,

Any accrued expenses so disallowed will, however, be recognized when eventually paid by adjusting the costs of the year in which the expense was incurred.

- 11. State and Federal income taxes,
- 12. directory and display advertising or other means of advertising,
- 13. bad debts,
- 14. management fees,
- 15. expenses attributed to anti union activities as specified in H.I.M.-15,
- 16. excessive purchases of supplies when compared to previous years and years subsequent to base years,
- 17. employment agency fees/agency contract for purpose of recruitment,
- 18. costs of beepers,

19. costs of telephone in motor vehicles, and,
20. costs of nurse aide training and competency evaluations.

The inclusion of cost such as those set forth in 1-20 above, which are not related to patient care may constitute a violation of General Laws Section 40-8.2-4, as well as other provisions of State and Federal law and may result in criminal and civil sanctions and possible exclusion from participation in the Medicaid Program.

The State reserves the right to make determinations of admissible and/or inadmissible costs in areas not specifically covered in the principles.

SERVICE AND AFFILIATED ORGANIZATIONS

General

Any company or business entity which provides products and/or services to an affiliated nursing home or group of homes, where common ownership exists, must be reported to the Rate Setting Unit in order to meet reimbursement requirements.

Reporting Requirements

The report form must be filed for approval. Data required will include but not be limited to:

- a. explanation of the need for such an organization,
- b. ownership interest and legal form of organization,
- c. type of product or services to be rendered,
- d. names of all affiliated facilities to be serviced.

Requests for approval must be filed in advance of the calendar year in which the

service and/or affiliated organization provides billable services. This will allow for a determination of whether or not charges from the related service company to the nursing facility will be allowed.

The State requires in addition to the BM-64, the following:

- a. financial statements of the related service company,
- b. tax returns if above statements are not available.

If centralized services such as accounting, purchasing, administration, etc., are involved, complete details regarding the allocation of charges must be provided.

Cost applicable to services, facilities and supplies furnished to a provider by organizations related to the provider by common ownership or control shall not exceed the lower of the cost to the related organization or the price of comparable services, facilities, or supplies purchased elsewhere. Costs include those actually incurred to which may be added reasonable handling and administrative charges. Profit add-on in the form of markups or by other means is not permitted nor acceptable for reimbursement under the Rhode Island Medical Assistance Program, Title XIX, Medicaid.

HOME OFFICE CHARGES

Long Term Care facilities sometimes operate through a central home office resulting in home office charges. Cost-related expenses may be reimbursable providing that said central home office is physically located within the State of Rhode Island and if they can satisfy the reasonable cost-related concept previously described and if they can demonstrate and document that central management, purchasing and accounting services were uniformly performed for all facilities. Home office cost-related expenses, if the above is satisfied, will be pro-rated to each

facility and enterprise for which services are being provided. The central home office must prepare and file with the Rate Setting Unit a cost report annually, in an approved format showing line-cost and allocation to each facility or enterprise. Additionally each enterprise for which services are provided must be fully disclosed.

A central home office established on or after January 1, 1985 must obtain prior written approval from the Rate Setting Unit in order to qualify to have its allocated costs recognized for reimbursement.

In-State Central/Home Office

Cost will be allocated and reimbursed through the Management Related Expenses cost center and All Other Expenses cost center. An In-State Central Office requires maintaining a minimum of three (3) Nursing Care Facilities and must be in operation and approved by July 1, 2004 for consideration for reimbursement.

Out-of-State Central/Home Office

Charges will be recognized to the extent of the lesser of reported reasonable costs of central home office plus costs in Account No.'s 7421-Other Administrative Salaries, No. 7436-Accounting and Auditing Fees or the average allowable amount for facilities of like size and licensure for Account No.'s 7421-Other Administrative Salaries, No 7435-Computerized Payroll and Data Processing Charges and No. 7436-Accounting and Auditing Fees. The acceptable amount will be allowed in the Management Related Expenses cost center.

Changes in Bed Capacity

Facilities in which the bed capacity is either substantially increased or decreased will be

re-evaluated insofar as the reimbursement rate, and such change in rate, if at all, will be made retroactive to the date in which such change in bed capacity was authorized by the licensing authority.

Excess Bed Capacity

Per diem rates will be based upon the actual percentage occupancy of the facility's total licensed bed capacity in the base year or 98 percent of the statewide average occupancy rate in the prior calendar year, whichever is greater. For those facilities being licensed for only a portion of their potential bed complement, the 98 percent of the statewide average occupancy rate of the prior calendar year will be based on the available bed days of the portion licensed. However, expenses relating to the physical plant of such facilities such as, but not limited to the following, interest, depreciation and real estate and personal property taxes will be allowed only as they apply to the licensed portion on a per diem predicated upon actual occupancy or 98 percent of the statewide average occupancy rate of the prior calendar year, of total potential bed complement of the facility, whichever is greater.

Transactions which Reduce Reported Cost of Patient Care

Operations may result in the receipt of revenue from sources other than the direct care of patients. Where it is determined that these amounts are in fact, reductions of previously incurred costs or are added revenue associated with the business purposes of the facility, such amounts must be offset against operating costs. For example, sale of meals, interest income, sale of supplies, etc., should be used to reduce costs.

Refunds, Discounts, and Allowances

Refunds, discounts and allowances received on purchased goods or services must be netted against the purchase price.

Quality of Care And Cost Incentives

The Department will pay a differential reimbursement rate of \$ 200.00 to providers of service who provide ventilator beds at their facilities. This rate will be in addition to the per diem rate assigned for actual days a resident requires this service, and the rate will only apply to those resident days that are supported by a physician order. This amount will be limited to a maximum of ten (10) beds on a statewide basis and a facility must meet the following criteria:

- The facility must be Medicare-certified.
- The facility must have a minimum of five (5) ventilator beds, and
- The facility must have a licensed Respiratory Therapist on staff or under contract.

The facility must request and receive approval for the differential reimbursement rate in writing from the Rate Setting Unit.

STATE <u>Rhode Island</u>	A
DATE REC'D _____	
DATE APPV'D <u>9/14/04</u>	
DATE EFF <u>9/1/04</u>	
HCFA 179 _____	

APPENDIX 'A'**BASE YEAR AND AUDIT SCHEDULING**

Note: This base year and audit schedule will be utilized for the Management Related and All Other Expenses Cost Centers until September 30, 2005. As of October 1, 2005, this Appendix will no longer be required.

The Schedule for Base Year Calendar Year 1991 and Subsequent Base Years and For Scheduling Base Year Audits Will Be

Determined As Follows:

1. Participating Nursing Facilities will be grouped into one level of care category and listed in numerical sequence by license number.
2. During the first audit schedule year and every third year thereafter, the first and each subsequent third listed facility will be scheduled for audit.
3. During the second audit schedule year and every third year thereafter, the second and each subsequent third listed facility will be scheduled for audit.
4. During the third audit schedule year and every third year thereafter, the third and each subsequent third listed facility will be scheduled for audit.
5. Newly constructed facilities and facilities that change ownership will be audited after the completion of six months of operations. Thereafter, these facilities will be scheduled to be audited by adding them to the original listing of facilities by license number sequence.
6. Facilities previously licensed but non-participating that subsequently become participating in the Rhode Island Medicaid Program will be audited after the completion of six months of operation. Thereafter, these facilities will be scheduled to be audited by adding them to the last appearing facility license number at the time of certification.
7. Multiple facilities that are operated, managed and/or controlled by an In-State Central/Home Office or an In-State Management Group will be assigned the same base year and will be scheduled for audit by grouping the facilities. The lowest licensed numbered facility will determine the audit scheduling process by applying provisions 2 through 4 above. Additional facilities serviced by the In-State Central/Home Office will not alter base years and/or audit scheduling of its grouping.

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APPENDIX 'B'
ADMINISTRATORS' COMPENSATION

<u>NO. BEDS</u>	<u>Max Salary Allowance</u>
1-75	\$61,745
76	\$63,052
77	\$63,370
78	\$63,685
79	\$64,003
80	\$64,315
81	\$64,636
82	\$64,942
83	\$65,261
84	\$65,574
85	\$66,233
86	\$66,885
87	\$67,541
88	\$68,197
89	\$68,856
90	\$69,513
91	\$70,163
92	\$70,822
93	\$71,477
94	\$72,133
95	\$72,783
96	\$73,442
97	\$74,103
98	\$74,760
99	\$75,410
100	\$76,072
Each Additional Bed	\$ 294

ASSISTANT ADMINISTRATORS WILL BE LIMITED TO THE LOWER OF ACTUAL SALARY PAID OR 75% OF THE ADMINISTRATORS SALARY ALLOWANCE.

APPENDIX 'C'**ROUTINE SERVICE - NURSING AND MEDICINE CHEST SUPPLIES**

Items of service and supplies which have been identified and defined as routine services and allowable in the per diem rate are listed but not limited to those listed below for Nursing Facilities.

ABD pads	Catheter plugs
A & D ointment	Catheter tray
Adrenal I.M.	Catheters (any size)
Air mattresses	Colostomy bags
Air P.R. mattresses	Composite pads
Airway - oral	Cotton balls
Alcohol	Crutches
Alcohol plasters	"Customized" crutches, canes, and
Alcohol sponges	wheelchairs
Antacid suspensions	Decubitus ulcer pads
Antipruritic oil	Deodorants
Applicators, cotton tipped	Disposable underpads
Applicators, swab-eez	Donuts
Aquamatic K pads (water-heated pad)	Douche bags
Arm slings	Drain tubing
Asepto syringes	Drainage bags
Adhesive tape	Drainage sets
Baby powder	Drainage tubes
Bandages	Dressing tray
Bandages - elastic or cohesive	Dressings (all)
Band-aids	Drugs, nonlegend
Basins	Drugs, stock; excluding insulin
Bed frame equipment (for certain	
immobilized bed patients)	Enema can
Bed rails	Enema-Fleets
Bedpan, fracture	Enema-retention
Bedpan, regular	Enema soap
Bedside tissues	Enema supplies
Benzoin, aerosol	Enema unit
Bibs	Enemas
Bottle, specimen	Eye pads
Canes	Feeding tubes
Cannula-nasal	Female urinal
Cascara (1 oz.)	Flotation mattress
Catheter, indwelling	Flotation pads and/or turning frames